CDIC
Canada Deposit Insurance Corporation

SUMMARY OF THE CORPORATE PLAN
2007/2008 TO 2011/2012

Including a Summary of the
2007/2008 Operating and Capital
Budgets, and Borrowing Plan

April 2007

Canada

CDIC
Canada Deposit Insurance Corporation

OUR MANDATE

CDIC's mandate is to provide insurance against the loss of part or all deposits and to promote and otherwise contribute to the stability of the financial system in Canada—for the benefit of those with deposits in CDIC member institutions. Moreover, we must conduct our work in such a way as to minimize the Corporation's exposure to loss.

CDIC VALUES

- Excellence and Professionalism
- Integrity and Trustworthiness
- Communication and Teamwork
- Respect and Fairness

CDIC's employees uphold these values and continually strive to meet the highest business and ethical standards in all aspects of their work.

FOR MORE INFORMATION ABOUT CDIC

You can reach CDIC by e-mail, phone, fax or letter. We remain committed to promoting awareness and providing information about deposit insurance, as well as about the services offered by the Corporation.

Head Office
Canada Deposit Insurance Corporation
50 O'Connor Street, 17th Floor
P.O. Box 2340, Station D
Ottawa, Ontario K1P 5W5

Toronto Office
Canada Deposit Insurance Corporation
1200-79 Wellington Street West
P.O. Box 156
Toronto, Ontario M5K 1H1

Toll-free telephone service:
1-800-461-CDIC (2342)
Fax: (613) 996-6095
Website: www.cdic.ca
E-mail: info@cdic.ca

THE PLAN—AN OVERVIEW

OUR OPERATING ENVIRONMENT

- Overall the Canadian economy and financial sectors are healthy.
- While there are a number of potential risks on the horizon—such as the U.S. economy slowing more sharply than expected and housing price fluctuations among others—none is considered likely to result in a significant negative impact on the Canadian financial system or on CDIC.
- The overall risk profile of CDIC's membership remains low and the membership is reporting excellent results for 2006.
- Canadian consumers are currently experiencing relatively good economic and financial times, and they anticipate that these good times will continue into the foreseeable future.
- Consumers receive competing messages from an increasingly diverse range of media, resulting in personal financial decision making being more complex than ever before.
- CDIC has not dealt with a member institution failure since 1996, making it vitally important for us to continue conducting training and failure simulations, and to ensure that skilled resources are in place for a failure resolution.

OUR ASSUMPTIONS

- No significant change in the number of CDIC member institutions.
- No failures of CDIC member institutions occur during the planning period.
- Premium rates will remain at their current, historically lowest levels throughout the planning period.
- The target range for the amount of *ex ante* funding will be between 40 and 50 basis points of insured deposits.

2007 PREMIUM RATES	
Category 1 (best rated)	1.4 basis points of insured deposits
Category 2	2.8 basis points of insured deposits
Category 3	5.6 basis points of insured deposits
Category 4 (worst rated)	11.1 basis points of insured deposits

CORPORATE STRATEGIES AND PLANNED SUPPORTING ACTIVITIES AND INITIATIVES

- CDIC will concentrate its efforts on three strategies for achieving its mandate over the next five years:

1. **Strengthening Core Expertise and Readiness**—CDIC will work to increase expertise in its core operational areas of insurance, risk monitoring, intervention and resolutions. For example, we will improve our capacity to pay depositors in a broad range of member institutions, and we will look at alternative ways to resolve failures.

2. **Promoting Depositor Awareness**—building on our recent and current public awareness initiatives, we will complete our three-year strategic plan for public awareness which focuses on information and advertising directed at seniors, adults with lower literacy levels and ethnocultural communities.

3. **Sustaining Efficient Governance and Operational Capacity**— we will focus on having a process to report on our significant risks, demonstrating leadership in governance, ensuring that we meet best practices as they evolve, and continue to work actively with stakeholders in Canada and around the world. Employees play an important role in enabling CDIC to achieve its goals; therefore, we will continue to focus on the ongoing development of excellence in employees and of CDIC as an employer.

FINANCIAL HIGHLIGHTS

For 2007/2008, CDIC projects net income of $107 million, based on total revenues of $130 million—consisting of $67 million in premiums and interest of $63 million—and projected net operating expenses of $23 million. Additional highlights appear in the following table.

FORECAST FINANCIAL HIGHLIGHTS

($ millions)

	2007 Forecast	2008 Plan	2009 Plan	2010 Plan	2011 Plan	2012 Plan
Balance Sheet—as at March 31						
Cash and investments	1,556	1,666	1,767	1,872	1,982	2,097
Provision for insurance losses[a]	600	600	600	600	600	600
Retained earnings	946	1,053	1,152	1,256	1,364	1,477
Revenue and Expenses—for the Year Ending March 31						
Total revenue	131	130	137	144	150	157
Net operating expenses	23	23	24	25	25	26
Other adjustments and recoveries	(4)	(13)	–	–	–	–
Net income before income taxes	112	120	113	119	125	131
Reduction in future income tax asset	–	1	–	–	1	–
Income tax expense	10	12	14	15	16	18
Net Income	102	107	99	104	108	113
***Ex Ante* Funding[b]**						
Level—$ millions	1,546	1,653	1,752	1,856	1,964	2,077
Level—basis points of insured deposits	34	35	36	37	38	39

[a] For financial statement reporting purposes, the provision for insurance losses is calculated each fiscal year.

[b] The *ex ante* funding level is represented by the aggregate of the Corporation's retained earnings and its provision for insurance losses as reported in its financial statements. The target range for the fund is set at between 40 and 50 basis points of insured deposits.

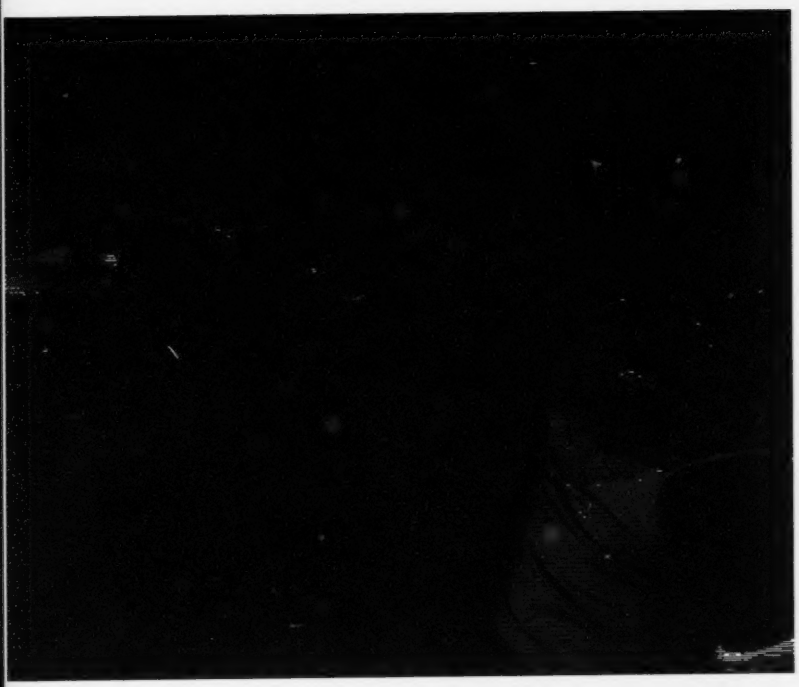


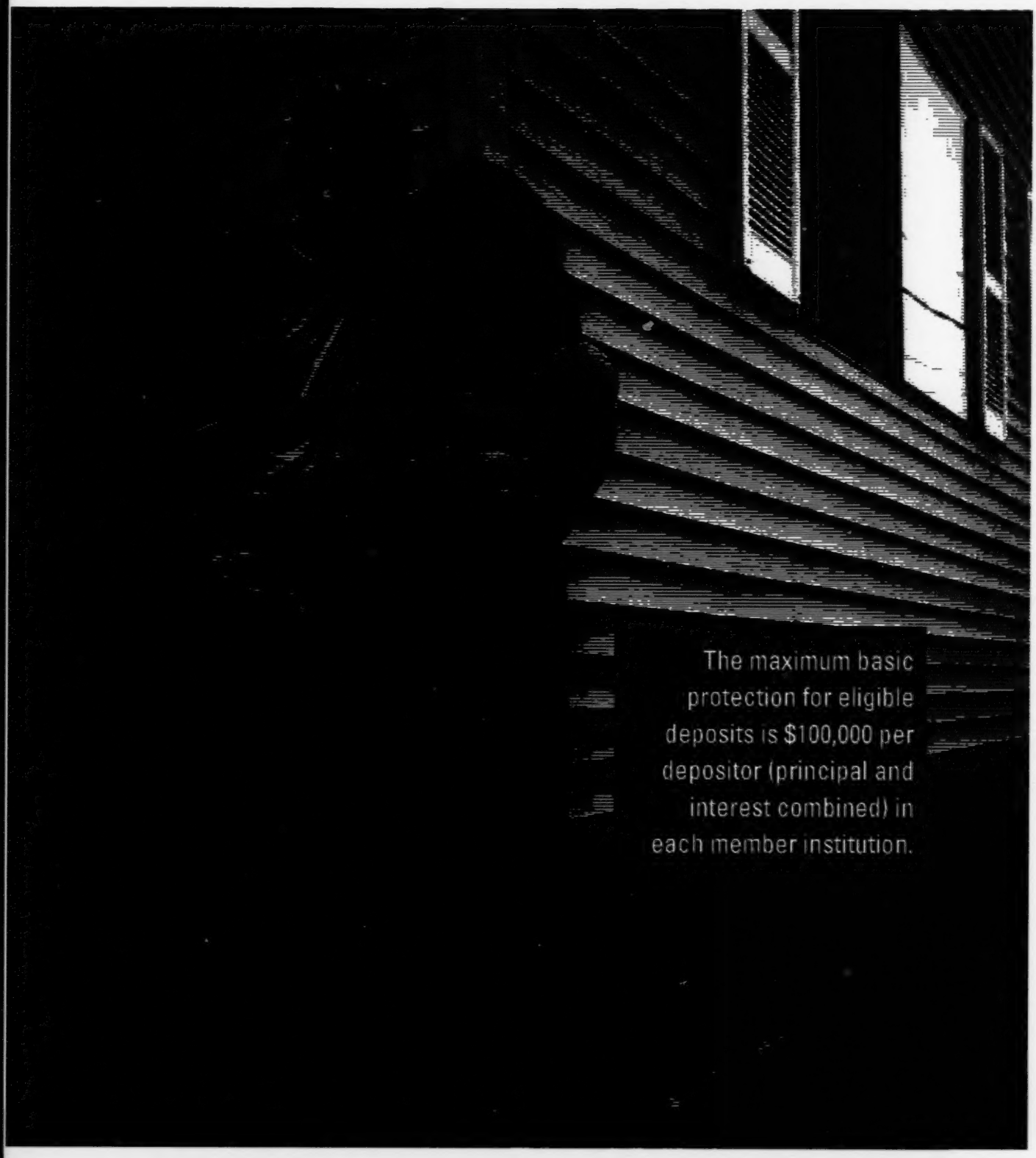
TABLE OF CONTENTS

1 CDIC at a Glance 3
Who We Are 3
What We Do 3
About Our Members 4
CDIC's Board of Directors and Officers 4

2 Our Five-Year Plan 7
Our Operating Environment 7
Significant Risks and Key Planning Assumptions 9
Strategies for the Planning Period 12
Corporate Scorecard—2007/2008 to 2011/2012 18

3 Financial and Resource Plans 23
CDIC's Five-Year Financial Plan—2007/2008 to 2011/2012 23
Ex Ante Funding 28
Operating Budget—2007/2008 29
Capital Budget—2007/2008 30
Accounting Issues 30
Borrowing Plan 31
Human Resources Requirements 32

4 CDIC's Performance against Past Plans 35
Highlights of Past Performance—2006/2007 to 2010/20011 35
Past Corporate Scorecard Results—2006/2007 36
Past Financial Performance—2005/2006 and 2006/2007 Highlights 40



The maximum basic protection for eligible deposits is $100,000 per depositor (principal and interest combined) in each member institution.

CDIC AT A GLANCE

WHO WE ARE

CDIC was established in 1967 by the *Canada Deposit Insurance Corporation Act*. CDIC is an agent of Her Majesty in right of Canada and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Corporation reports to Parliament through the Minister of Finance.

WHAT WE DO

CDIC's statutory objects: The Corporation's objects are the basis for all of our work. These objects, as set out in section 7 of the *CDIC Act*, are:

(a) to provide insurance against the loss of part or all of deposits;
(b) to promote and otherwise contribute to the stability of the financial system in Canada; and
(c) to pursue the objects set out in paragraphs (a) and (b) for the benefit of persons having deposits with member institutions and in such manner as will minimize the exposure of the Corporation to loss.

Provide deposit insurance protection: Under the *CDIC Act*, the maximum basic protection for eligible deposits is $100,000 per depositor (principal and interest combined) in each member institution. We provide separate protection for joint deposits, deposits held in trust, deposits made towards realty taxes on mortgaged properties, and deposits held in registered retirement savings plans and in registered retirement income funds in accordance with the *CDIC Act*. We work with the Autorité des marchés financiers to protect deposits made in Québec with provincially-incorporated members (including those made outside the province in such institutions). In the event of a failure, we reimburse insured depositors, and make claims and recover from the assets of the estates of failed member institutions.

Manage deposit insurance risk: Managing risk is a vital and ongoing function in support of which we carry out a number of activities:

- Conduct regular risk assessments of our members and monitor their performance and results—using a variety of information, such as documents provided by regulatory authorities, financial reports from members, as well as market data and broad economic and/or other external environmental indicators.

- We rely on the Office of the Superintendent of Financial Institutions (OSFI) and provincial regulators to conduct annual examinations of member institutions on our behalf, and we work closely with them to determine, for example, actions to be taken against a member institution when warranted. In certain circumstances, we also carry out special examinations to assess our risk in a troubled member institution.

Set and collect premiums: CDIC is funded by premiums that are assessed on the insured deposits of member institutions each year. We use a differential premiums structure, and assign each member to one of four premium categories based on defined criteria. In 2006/2007, the rate for each category ranged from 1.4 to 11.1 basis points of insured deposits. In the same year, member institutions paid $75 million in premiums. Premium rates for 2007/2008 will remain at these historically lowest-ever levels.

HISTORY OF PREMIUM RATE CHANGES
(shown as basis points of insured deposits)

1967	*3.3*
1985	*10.0*
1993	*12.5*
1994	*16.7*
1999	*Differential Premiums System*
1999/2000 to 2000/2001	*Category 1—4.2* *Category 2—8.3* *Category 3—16.7* *Category 4—16.7*
2001/2002	*Category 1—4.2* *Category 2—8.3* *Category 3—16.7* *Category 4—33.3*
2002/2003 to 2004/2005	*Category 1—2.1* *Category 2—4.2* *Category 3—8.3* *Category 4—16.7*
2005/2006 to 2006/2007	*Category 1—1.4* *Category 2—2.8* *Category 3—5.6* *Category 4—11.1*

ABOUT OUR MEMBERS

CDIC membership is limited to banks, federally-incorporated trust or loan companies, provincially-incorporated trust or loan companies, and associations to which the *Cooperative Credit Associations Act* applies. At the end of 2006, CDIC had 81 members. The last time a member institution failed was in 1996; in total, 43 members have failed since 1967.

CDIC'S BOARD OF DIRECTORS AND OFFICERS

The CDIC Board of Directors consists of the Chairperson, five private sector directors, and five *ex officio* directors: the Governor of the Bank of Canada, the Deputy Minister of Finance, the Commissioner of the Financial Consumer Agency of Canada, the Superintendent of Financial Institutions, and a Deputy Superintendent or an officer of OSFI. The Governor in Council appoints the Chairperson, the five independent private sector directors, and the President and CEO.

CDIC BOARD OF DIRECTORS

(as at December 31, 2006)

Bryan P. Davies
Chair of the Board
Canada Deposit
Insurance Corporation

Tracey Bakkeli
T. Bakkeli Consultants Inc.
(Regina)

Jim Callon
Acting Commissioner
Financial Consumer Agency
of Canada
(ex officio)

Julie Dickson
Acting Superintendent of
Financial Institutions
Office of the Superintendent
of Financial Institutions
(ex officio)

David A. Dodge
Governor of the Bank
of Canada
(ex officio)

Claude Huot
Consultant in economic development
Le Groupe Stragesult
(Montréal)

Grant Morash
Financial Advisor
(Halifax)

F. Edward (Ted) Price*
Assistant Superintendent,
Supervision Sector
Office of the Superintendent of
Financial Institutions
(ex officio)

Shelley Tratch
Lawyer
(Vancouver)

Rob Wright
Deputy Minister of Finance
(ex officio)

Vacant
(private sector director)

ALTERNATES

Pierre Duguay
Deputy Governor
Bank of Canada
(alternate for the Governor of the Bank of Canada)

Serge Dupont
Assistant Deputy Minister
Financial Sector Policy Branch
Department of Finance, Canada
(alternate for the Deputy Minister of Finance)

CDIC OFFICERS

(as at December 31, 2006)

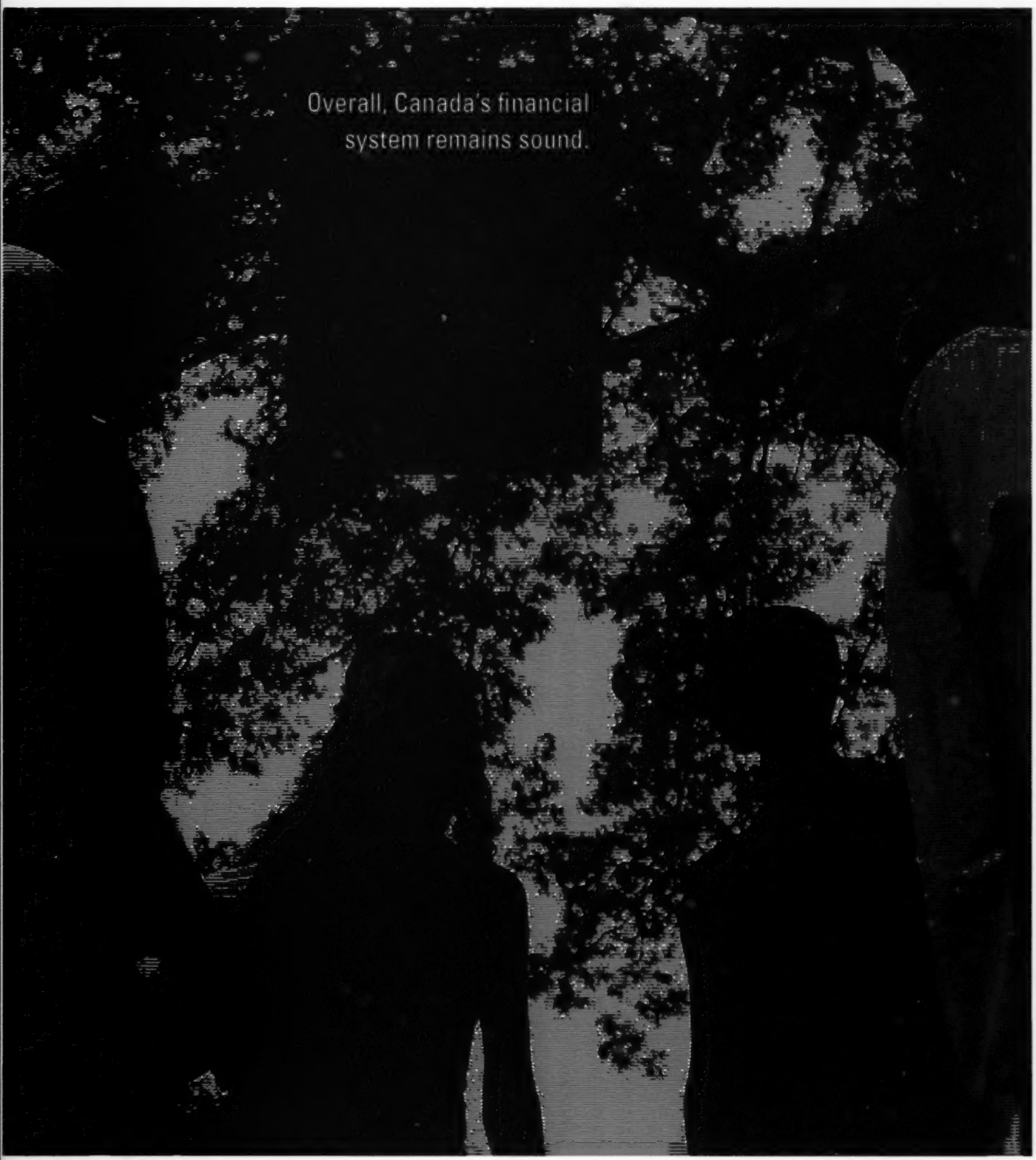
Guy L. Saint-Pierre
President and
Chief Executive Officer

M. Claudia Morrow
Vice-President, Corporate Affairs,
General Counsel and Corporate
Secretary

Michèle Bourque
Vice-President,
Insurance and Risk Assessment

Thomas J. Vice
Vice-President,
Finance and Administration
and Chief Financial Officer

* Effective January 1, 2007.


Overall, Canada's financial
system remains sound.

OUR FIVE-YEAR PLAN

OUR OPERATING ENVIRONMENT

Each year CDIC considers its environment by examining economic and financial trends and developments, in addition to ongoing and emerging issues in the legislative and regulatory environment, as well as in technology. Our current environment is generally positive; however, it includes a number of issues that CDIC will watch closely.

Economic Environment

Growth in the global economy has continued to strengthen in 2006 despite some moderation in U.S. economic growth. In Canada, the economy continues to operate just above its full production capacity, despite weaker net exports. The U.S. economy is slowing more quickly than expected—as a result, projections for Canadian economic growth are generally being revised downward slightly. It is likely that the Canadian economy will remain roughly in balance.

Risks to the Canadian economy relate primarily to the current momentum in household spending and housing prices—at the same time, there is risk that U.S. household demand could slow more rapidly than expected, thus reducing demand for Canadian exports. CDIC will continue to monitor other risks, including volatile energy prices, the impact of a high Canadian dollar on the manufacturing sector (in particular the automotive industry) and exports, and any signs of rising inflationary pressures and interest rates. We will also be alert to impacts of potential severe natural disasters, instability arising from international terrorism activities, and the ongoing possibility of a pandemic. At present, the likelihood is low that any of these risks will be realized in such a way as to have a significant negative impact on the Canadian financial system.

In general, corporations are reporting strong profitability, and the federal fiscal position also continues to be healthy—overall, Canada's financial system remains sound.

Member Environment

The strong economic environment has helped CDIC membership to report solid results in 2006. Profits, asset quality measures and capital ratios remain at or near historical highs. Market sentiment regarding CDIC membership has continued to improve over the past three years as is most clearly visible in share price appreciation. In 2006, 98% of member institutions were in the two best categories of CDIC's differential premiums system.

While the overall risk profile of CDIC's membership remains low, some trends bear watching. For example, the high-growth strategies of certain mortgage lenders—coupled with the increased concentration on higher risk borrowers—create the potential for deterioration in asset quality. Aggressive mortgage lending practices and competitive forces over the last two years could lead to an increase in the number of defaults, which would significantly affect the residential mortgage lenders. There is now a noticeable increase in higher risk products including interest-only mortgages and longer mortgage terms. These trends are especially worrisome given the observed housing slowdown in certain markets in the United States.

The current favourable economic environment is attracting competition from unregulated lenders. The growth in the number of alternative lenders and increased retail focus of large banks has contributed to tighter retail spreads and more competition for our members.

Other emerging issues that could have an impact on CDIC's membership in the medium term include, among others: high consumer debt, reputation issues surrounding complex financial products and the increase in the amount of information reported to regul ators arising from implementation of the Basel II Accord requirements. However, implementation of expected legislative changes related to cheque holding periods, electronic transactions, disclosure requirements, streamlined transaction approvals and mortgage insurance are expected to increase efficiencies for both member institutions and consumers.

CDIC has not dealt with a member institution failure since 1996.

Consumer Environment

Canada's diverse population, with its wide range of cultures, languages, behaviours and lifestyles, is constantly evolving and changing. In 2001, one in seven Canadians was a visible minority. It is projected that, by 2017, one in five Canadians will be a visible minority. By the same year, visible minorities are expected to represent half of the population in both Toronto and Vancouver.[1] The Canadian population is also aging—by 2011, those aged 65 or over will represent 15% of the total population.[2] With these population changes come shifts in financial habits.

[1] Source: *The 2005/2006 Annual Report on the Operation of the Canadian Multiculturalism Act.*
[2] Source: *Canada Year Book 2006*—published by Statistics Canada.

Canadian consumers are currently experiencing relatively good economic and financial times, and they expect the trend to continue. CDIC's recent research indicates that, due in part to the good economic climate and to the recent lack of membership failure, public awareness about the benefits and limitations of deposit insurance is still relatively low among consumers.

The Corporate Environment

CDIC has not dealt with a member institution failure since 1996. As the time between failures continues to increase, so too does the pressure for CDIC to be ready to act—to intervene, pay, or settle quickly and accurately—when a failure does occur. It is therefore vital for CDIC to continue to conduct failure simulations and to ensure that funding and skilled resources are always in place. Maintaining employee morale and well-being is important to CDIC's capacity to fulfill its mandate. This is of particular importance in light of the need to maintain an appropriate state of failure resolution readiness at all times, which is based on a core capacity of skilled and motivated employees. CDIC will face increasing competition for human resources during the planning period as the overall pool of skilled workers in Canada ages and many boomers begin to retire from the work force.

CDIC remains constantly aware of the need to use its resources as efficiently as possible and to stay alert to cost-reducing opportunities. We also recognize the importance of listening to feedback from all stakeholders as we carry out and manage our business plans.

SIGNIFICANT RISKS AND KEY PLANNING ASSUMPTIONS

CDIC's Four Risk Categories

CDIC continuously monitors its significant risks and regularly reports on its Enterprise Risk Management (ERM) activities. We identify and track key environmental issues and assess risks while prioritizing corporate strategies, initiatives and resource allocations.

As part of the planning process during 2006, CDIC management reviewed the Corporation's significant risks (shown in the box on the next page), taking into account its objects as well as CDIC's current and anticipated operating environment.

At that time, CDIC concluded that its overall risk exposure to its four significant risks was acceptable, albeit with some attention warranted to specific aspects of each risk. Based on our analysis, CDIC is focusing its attention on its ***Insurance Risk***—with emphasis on enhancing our preparedness for non-payout interventions. This reflects the Corporation's lack of recent failure experience and the concern that although the health of our membership is currently at its best, it may have reached its peak.

We will also continue to address other significant risks:

- Our $1.5 billion investment portfolio places heightened emphasis on the need to have in place effective management practices in the area of ***Financial Risk*** management. CDIC is currently reviewing opportunities to enhance yield with due regard to its current low level of risk tolerance for capital losses (while maintaining our portfolio within the *Financial Risk Management Guidelines for Crown Corporations*). Proposed amendments will not represent an appreciable change to the Corporation's Financial Risk.

- CDIC will also address specific areas of its ***Operational Risk***—those that relate to the increase in government reporting requirements, to the potential for business disruptions (including from a pandemic) and to our ongoing need to retain and train employees.

- CDIC will carry on proactively managing its ***Reputation Risk***—by continuing to run our operations well, while at the same time managing depositors' expectations by providing information on the benefits and limits of deposit insurance through our public awareness campaign.

CDIC'S SIGNIFICANT RISKS

Insurance Risk: *CDIC's risk of loss associated with insuring deposits, including costs incurred in the event of an intervention. (Underlying Risks: Insurance Powers Risk; Assessment Risk; Intervention Risk)*

Financial Risk: *CDIC's risk associated with managing its assets and liabilities, including those that appear on and off the balance sheet. (Underlying Risks: Liquidity Risk; Market Risk; Credit Risk)*

Operational Risk: *CDIC's risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. (Underlying Risks: Business Continuity Risk; Information Risk; Legal/ Compliance Risk; People Risk; Process Risk; Security Risk; Technology Risk)*

Reputation Risk: *The risk of an event significantly affecting stakeholders' perceived trust and confidence in CDIC, and which could result in a financial and other loss to CDIC.*

Key Planning Assumptions

The following assumptions help to shape our strategies and plans, as well as provide the basis for our resource budgets for the planning period. CDIC assumes that:

1. Our statutory objects will not change.
2. There will be no changes to the regulatory and supervisory system in Canada that will have a significant impact on CDIC.

3. There will be no failures of CDIC member institutions. Although no failures are reflected in the *pro forma* financial statements in this Corporate Plan Summary, CDIC has performed sensitivity analyses to estimate the potential effect of a range of hypothetical failure scenarios. The Corporation can handle a payout of $1.5 billion with no requirement for additional funding. Payouts over that amount would require CDIC to access its borrowing facilities.
4. The total number of CDIC member institutions will not change significantly.
5. The target range for the amount of *ex ante* funding is assumed to remain at between 40 and 50 basis points of insured deposits. This translates into a range of approximately $1.8 billion to $2.3 billion based on levels of insured deposits as at April 30, 2006.
6. Premium revenue projections for the planning period are based on the following assumptions:
   - Differential premium rates will remain at 2006 levels throughout the planning period.
   - The distribution of member institutions across premium categories has been forecast to reflect our estimate of the categorization of member institutions for the 2007 premium year (CDIC's 2007/2008 fiscal year). It is assumed that this distribution will not change significantly over the final four years of the planning period.
   - The growth of insured deposits will average 3% per year.

   The maximum annual premium rate underlying the differential premium category rates is fixed annually by the Governor in Council based on a recommendation from the Minister of Finance. CDIC recommends this rate to the Minister as part of its Corporate Plan submission taking into account the Corporation's financial condition, a current assessment of the financial and economic environment, the risk profile of its membership, and the actual and projected level of *ex ante* funding relative to the target range. Accordingly, the premium revenue for the planning period may be subject to change.
7. CDIC will not receive government appropriations, nor does it plan to borrow funds.
8. CDIC's average yield on cash and investments will be approximately 4%.
9. Federal income tax rates throughout the planning period will be consistent with those in effect at the time this Plan was developed.

STRATEGIES FOR THE PLANNING PERIOD

CDIC has refocused the strategies that guided its work in recent years. The three revised strategies place considerable importance on managing CDIC's significant risks throughout the planning period and maintaining the core concepts addressed by the previous strategies. Our revised strategies are:

- Strengthening Core Expertise and Readiness
- Promoting Depositor Awareness
- Sustaining Efficient Governance and Operational Capacity

This shift is based on a number of considerations including the need for a stronger focus on **readiness**—as supported by our environmental scanning and ERM work, and the need for improved **public awareness**—depositors need to be better informed about deposit insurance. This is particularly important in light of the increasing complexity of the financial market, the recent increase in the deposit insurance coverage limit and the fact that it has been 10 years since CDIC experienced the failure of a member institution.

Comprehensive strategic plans in the areas of human resources and information systems support our corporate strategies. Key initiatives and related corporate performance indicators are included in our Corporate Scorecard for 2007/2008 to 2011/2012 (pages 18–21). CDIC will measure its performance against these indicators throughout the planning period and report its results against these measures in its Annual Reports. The resource budgets that support these plans and initiatives are included in Part III of this Corporate Plan Summary.

■ *STRENGTHENING CORE EXPERTISE AND READINESS*

CDIC must stay alert to developments that affect the Corporation and our members, and have the ability to anticipate and react to events and to manage its insurance risk. Over the planning period, we will focus on solidifying expertise in our core operation areas of insurance, risk monitoring, intervention and resolutions.

In recent years, CDIC has focused on solidifying its readiness to deal with the failure of a member institution as well as on updating our approach to monitoring member institutions.

Insurance

In the last year, several changes have been made to our insurance by-laws primarily to reflect CDIC's 2005 revised mandate. We must continually evaluate how changes in the environment affect various elements of the deposit insurance system, such as premium assessment and eligibility of products for insurance. Any by-laws directed at member institutions undergo comprehensive reviews every five years.

With respect to premiums assessment, we will evaluate the impact of the implementation of the Basel II Accord and of fair value accounting on the factors used under the *CDIC Differential Premiums By-law* to assign a premium category to each member institution. Required adjustments to this by-law would be made for the 2009 premium year. We also intend to consult with member institutions about possible modifications to the premium assessment base.

Risk Monitoring

As insurer, it is crucial for CDIC to promptly identify and respond to potential risks in its membership. We constantly keep track of broad economic and financial factors and emerging issues that can affect our member institutions. We also monitor the financial performance and the risk profile of members. CDIC relies on supervisory information provided by OSFI and the availability of financial data to effectively manage its insurance risk.

During the planning period, CDIC will continue to monitor the environment, focusing on those emerging risks that have the potential to affect groups of member institutions. We will also research and provide internal training related to the introduction of new accounting standards and capital rules under the Basel II Accord. It will remain crucial for CDIC to proactively manage the risk posed by members that exhibit higher risk profiles. We plan on making improvements to the systems that support our risk assessment and are committed to maintaining a productive working relationship with OSFI and other safety net agencies.

Intervention and Resolution

When an institution fails, CDIC must be ready to fulfill its mandate of protecting the affected depositors. In recognition of the time elapsed since the last failure of a member institution, we are putting high priority on solidifying our readiness to respond promptly and appropriately to a failure. This means upgrading our technology, updating our intervention processes, and developing and training employees.

More recent and current initiatives have targeted updating the payout system and practices appropriate to the pool of member institutions that pose the most risk to CDIC. Looking ahead, we see the focus of our readiness activities expanding to include our capacity to deal with the failure of a broader base of members.

Over the course of the planning period, CDIC will be making changes to its payout system, ROADMAP, to increase its capacity to deal with a greater number of deposit accounts.

It is crucial that depositors of failed institutions be provided with timely information on their insured deposits. To this end, we are updating our intervention communication plans and making sure that materials are in a format that can be easily understood. CDIC is also developing an intervention website that would allow depositors to receive information regarding the failed member institution, as well as information as to when and how they will have access to their funds. We are examining various options for the method of payment of the insured deposits, including direct deposit.

We will strengthen our expertise in least-cost resolution strategies by analyzing and documenting our experience with past failures and the recent changes in the environment.

Simulations will continue to be an important part of CDIC's readiness work over the planning period. The testing helps us determine how all components must function together to achieve a successful intervention; it is also an effective training exercise. During the period we will conduct limited scope and end-to-end simulations of both payout and non-payout resolutions.

PROMOTING DEPOSITOR AWARENESS

CDIC must work to increase public awareness of deposit insurance and of its benefits and limitations. Through our targeted, long-term approach, we will carry out public awareness initiatives that build on past years' initiatives, with continued emphasis on the increase in the deposit insurance coverage limit to $100,000.

Every year, CDIC undertakes initiatives that aim to increase depositors' understanding of the federal deposit insurance program. We provide essential facts about CDIC and the benefits and limitations of deposit insurance, as well as general information about which kinds of financial products are eligible for deposit insurance and which are not. Our public awareness initiatives consist principally

of television and print advertising, participation in financial trade shows and other public, media and member institution relations initiatives. Ongoing activities that support our public awareness initiatives include a 1-800 enquiries service and our corporate website.

Building on our recent and current public awareness initiatives, we will complete our three-year strategic plan for public awareness which focuses on information and advertising directed at seniors, adults with lower literacy levels and ethnocultural communities.

Every year, CDIC undertakes initiatives that aim to increase depositors' understanding of the federal deposit insurance program.

CDIC will continue to collaborate with key federal, provincial, private and governmental partners including the Financial Consumer Agency of Canada (FCAC), the Autorité des marchés financiers, the Federation of Canadian Independent Deposit Brokers, financial and consumer associations such as CARP—Canada's Association for the 50 Plus. We will also maintain collaborative work on the www.financeprotection.ca website (which is linked to CDIC's website: www.cdic.ca) with our partners in the Canadian Financial Services Insolvency Protection Forum. These joint efforts will continue to provide us with additional and cost-effective avenues to inform Canadians about CDIC and deposit insurance.

Other ongoing work will continue to include conducting regular surveys in support of our public awareness activities in order to measure progress and stay on top of areas that require attention. We aim for minimum awareness levels among the general public of 50% awareness of CDIC and 25% awareness of the $100,000 deposit insurance coverage limit. Improved survey methods will allow us to refine our measurement of awareness for our target audiences.

Our work will include development of a new public awareness strategy for 2008/2009 and beyond, supported by research to determine whether the current three target audiences should remain our primary focus. We will also continue to emphasize the use of plain language writing to ensure that our messages are clearly understood.

■ *SUSTAINING EFFICIENT GOVERNANCE AND OPERATIONAL CAPACITY*

To maintain the public's confidence, CDIC must demonstrate that it is fulfilling its mandate in an efficient and effective manner. Therefore, CDIC must manage its significant risks, demonstrate leadership in governance, and continue to work actively with its key stakeholders—member institutions, the depositing public, employees, parliamentarians, regulators, supervisors, and other deposit insurers in Canada and around the world.

In recent years, CDIC has devoted considerable effort and made significant strides towards developing effective stakeholder relationships, building strong governance practices and managing its organizational capacity. Our efforts in the current planning period will focus on sustaining our work on both governance and operational fronts, while continuing to work closely with our stakeholders—in particular our employees. We will work to ensure that we continue to meet best practices as they evolve, all in support of our key strategies of Strengthening Core Expertise and Readiness, and Promoting Depositor Awareness.

Highlights of our planned activities for the 2007/2008 to 2011/2012 period include:

- Continuing to integrate our strategic management processes with ERM processes and incorporating CDIC's risks and associated initiatives more visibly into our Corporate Plans. We will consider the value of performing risk assessments for certain of the key initiatives set out in our Corporate Plan.
- Continuing work toward identifying and assessing CDIC's compliance with statutes and other requirements to which the Corporation is subject.
- Adopting (as appropriate) in our 2007/2008 financial statements the Canadian Institute of Chartered Accountants recommendations on financial instruments and comprehensive income.

SUPPORTING OUR EMPLOYEES

Employees play an important role in enabling CDIC to achieve its goals. CDIC will continue to implement its Human Resources Strategy and Plan which focuses on the continuous development of excellence in employees and of CDIC as an employer. We will also continue to:

- *monitor employee satisfaction to ensure that there are no barriers to a productive and motivated work force*
- *maintain core expertise needed for key positions both now and in the future*
- *assist employees in identifying the professional development and training required to enhance their career potential, as well as ensuring that we remain competitive in attracting and retaining the appropriate talent*
- *carry on with succession planning, including carrying out gap analyses of employees' skills, with priority given to those identified in CDIC's succession plan*

Our work force planning will continue to operate on the principle of maintaining a core capacity of skilled employees, with mechanisms in place to mobilize a larger work force if needed.

- Conducting self-assessments and comparative benchmarking against emerging best governance practices for Crown corporations, boards and committees, as well as monitoring Treasury Board Secretariat (TBS) guidance for Crown corporations and any new TBS-related guidelines (and their impacts on the Corporation). We will proceed at a measured pace with an internal control certification process.

Other planned activities and initiatives that support efficient governance and operational capacity include increasing efficiency and improving reporting. For example, we will strengthen the linkages between our corporate portal and our records management application to support ease of compliance with government information holding guidelines—while streamlining the current process for the retention and disposal of records.

We will work to improve our technical infrastructure and internal information systems to keep current with technology standards.

CDIC's business continuity initiatives will carry on as part of our comprehensive approach to addressing all aspects of continuing operations—regardless of the nature of a potential business disruption. We will continue to improve our business recovery abilities to meet changes in the environment—efforts which are heavily dependent on information technology and systems. We will pursue our work with the Bank of Canada, OSFI, FCAC and other partners on business continuity management initiatives, with particular emphasis on testing Business Resumption and Pandemic Preparedness Plans.

Key policy initiatives will include continuing our work with the Department of Finance and other federal agencies on financial sector policy initiatives under the Senior Advisory Committee (SAC) process. We will also sustain our strong partnership with FCAC and CDIC will continue to provide call centre services for both FCAC and OSFI on a cost-recovery basis.

The Corporation will also maintain close relations with provincial deposit insurers and stabilization funds to enable sharing of knowledge, expertise and ideas.

Our international work will continue—through participation in conferences and seminars on deposit insurance and related issues; through continued involvement in the International Association of Deposit Insurers; and by providing assistance to other countries in the development of deposit insurance systems.

CORPORATE SCORECARD—2007/2008 TO 2011/2012

The scorecard sets out the planned key initiatives and key performance indicators to support each of the three corporate strategies described above. CDIC will measure its performance against these indicators and report the results in its Annual Report. The resources required to carry out this work are identified in detail in the following section.

CDIC Objects: Provide deposit insurance and contribute to the stability of the financial system for the benefit of depositors and while minimizing the Corporation's exposure to loss.

CORPORATE STRATEGIES	PLANNED KEY INITIATIVES
Strengthening Core Expertise and Readiness CDIC must stay alert to developments that affect the Corporation and our members and have the ability to anticipate and react to events and to manage its insurance risk. The Corporation will focus on solidifying expertise in our core operational areas of insurance, risk monitoring, intervention and resolution.	**Insurance** • Amending the differential premiums system to address the impact of Basel II implementation and new accounting rules. • Reviewing premium assessment base. **Risk Monitoring** • Upgrading the data warehouse to take advantage of technology improvements and respond to the changes to financial regulatory reporting. • Improving the system supporting the monitoring of member institutions. **Intervention and Resolution** • Training on special examination methodology and on the valuation model. • Finalizing the assessment of readiness for non-payout resolution and documenting optimal solutions by peer group of member institutions. • Enhancing the ROADMAP payout application to facilitate it supporting a payout of member institutions with larger deposit bases. • Performing annual simulations.
Promoting Depositor Awareness CDIC must work to increase public awareness of deposit insurance and of its benefits and limitations. Through our targeted, long-term approach, we will carry out public awareness initiatives that build on past years' initiatives, with continued emphasis on the increase in the deposit insurance coverage limit to $100,000.	• Implementing year three of the current three-year public awareness strategy and plan. • Conducting research related to target audiences and develop new long-term public awareness strategy and plan.

KEY PERFORMANCE INDICATORS

- First phase of consultation with members will be underway by March 31, 2008, in support of appropriate amendments to the differential premiums system being made during the planning period.
- Complete first phase of member consultation and make recommendations to the Board on future direction.

- Data warehouse technology updates and testing completed by March 31, 2008.
- System enhancements in support of the development of more current and efficient Risk Assessment Profiles of member institutions will be completed, tested and in use by March 2008.

- All risk managers have received training on these two intervention tools by March 31, 2008.
- A "toolbox" of non-payout failure resolution strategies and supporting documentation by peer group will be developed by March 31, 2008.
- ROADMAP payout application upgraded and tested by March 31, 2008.
- Conduct end-to-end and limited scope simulations by March 31, 2008. The success of the simulation to be validated based on a review by a qualified independent party.
- Higher than 50% awareness of CDIC and higher than 25% awareness of the $100,000 deposit insurance coverage limit.
- Implementation of a new long-term public awareness strategy and plan during the planning period.

CORPORATE SCORECARD—2007/2008 TO 2011/2012

CDIC Objects: Provide deposit insurance and contribute to the stability of the financial system for the benefit of depositors and while minimizing the Corporation's exposure to loss

CORPORATE STRATEGIES

Sustaining Efficient Governance and Operational Capacity

To maintain the public's confidence, CDIC must demonstrate that it is fulfilling its mandate in an efficient and effective manner. Therefore, CDIC must manage its significant risks, demonstrate leadership in governance and continue to work actively with all its key stakeholders, which include member institutions, the depositing public, employees, parliamentarians, regulators, supervisors, and other deposit insurers in Canada and around the world.

PLANNED KEY INITIATIVES

Assessing Corporate Risk

- Continue to conduct annual assessments of CDIC's significant corporate risks, review CDIC's risk policies, and provide an annual report to stakeholders about the management of CDIC's significant corporate risks.

Addressing Regulatory, Legislative and Other Requirements, and Monitoring Governance Best Practices

- Implementation of a corporate-wide process to identify, assess and monitor CDIC's compliance with applicable statutes, regulations, guidelines and other requirements to which CDIC is subject, including providing an annual compliance report to CDIC's Board.
- The Canadian Institute of Chartered Accountant's (CICA's) accounting recommendations with respect to the Financial Instruments and Comprehensive Income come into effect for CDIC's 2007/2008 year end—a thorough analysis will be undertaken to ensure that CDIC is applying appropriate accounting principles and that the systems are capturing the necessary information.
- Implementation of any applicable outstanding guidance regarding the TBS governance measures for Crown corporations.

Supporting Our Employees

- Monitor employee satisfaction on a periodic basis to ensure that there are no impediments to a productive and motivated work force.
- Continued implementation of Human Resources (HR) Strategy and Plan.

Infrastructure and Operations Improvements

- Continued implementation of Information Systems (IS) Strategic Plan.

KEY PERFORMANCE INDICATORS

- Significant risks are assessed annually. Risk management initiatives are undertaken on a timely basis to ensure exposure is within acceptable levels.

- A corporate-wide compliance process and reporting structure will be in place by March 31, 2008.

- CDIC will address CICA's recommendations on Financial Instruments and Comprehensive Income and its 2007/2008 financial statements will appropriately reflect these recommendations.
- CDIC receives an unqualified audit opinion on its 2007/2008 financial statements.

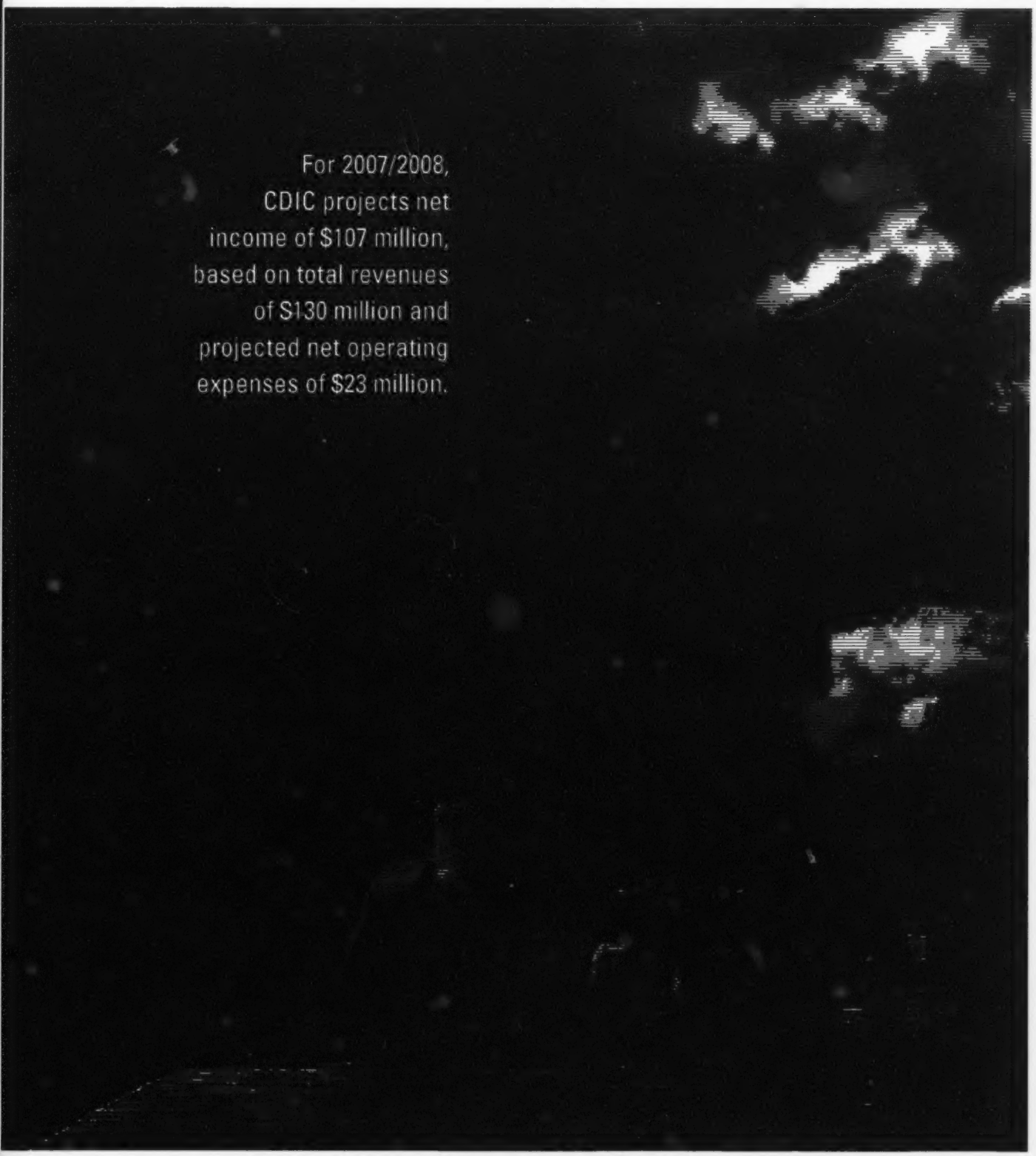
- Timely implementation of guidance regarding the TBS governance measures for Crown corporations—as applicable to CDIC.

- An employee survey to be undertaken with the survey results analyzed and addressed during the planning period.

- Initiatives specified in the HR Strategy and Plan implemented in accordance with timelines set out in that Plan.

- Initiatives specified in the IS Strategic Plan implemented in accordance with timelines set out in that Plan.

2



For 2007/2008, CDIC projects net income of $107 million, based on total revenues of $130 million and projected net operating expenses of $23 million.

FINANCIAL AND RESOURCE PLANS

CDIC'S FIVE-YEAR FINANCIAL PLAN —2007/2008 TO 2011/2012

The following five-year financial plan is based on the planning assumptions summarized in Part II, and reflects the strategies and related initiatives planned for the period (also set out in Part II) of this Summary.

CDIC will maintain a stable financial position throughout the planning period. The Corporation will manage its operations and costs effectively by regularly reviewing activities and initiatives within the broader context of its changing environment. Similarly, CDIC will revise its business plans as appropriate to focus resources on the most important initiatives.

CDIC operating budgets do not allow for significant contingencies. Costs for unplanned activities are, whenever possible, absorbed within the existing operating budget. Consequently, if CDIC is required to intervene in the affairs of a member institution, or if new initiatives need to be undertaken during the planning period that cannot be absorbed by revising priorities within the existing budget, Board approval will be requested for additional resources.

The Corporation's *Pro Forma* Consolidated Balance Sheet, Consolidated Statement of Income and Retained Earnings, and Consolidated Statement of Cash Flows are presented as Figures 1, 2 and 3.

Effective April 1, 2005, the Corporation adopted AcG-15 issued by the Canadian Institute of Chartered Accountants, which required that Adelaide Capital Corporation (a variable interest entity) be consolidated with CDIC. The 2006 actual and 2008–2012 Plan figures presented in this Plan reflect the Corporation's change in accounting policy. For comparability, the 2007 Plan figures have also been restated to reflect this change.

Figure 1: *Pro Forma* **Consolidated Balance Sheet**
as at March 31
($ millions)

	2006 Actual	2007 Plan	2007 Forecast	Plan 2008	2009	2010	2011	2012
Assets								
Cash and investments	1,447	1,558	1,556	1,666	1,767	1,872	1,982	2,097
Accounts receivable	2	1	1	1	1	1	1	1
	1,449	1,559	1,557	1,667	1,768	1,873	1,983	2,098
Capital assets	2	2	2	2	2	2	2	2
Net claims receivable	5	–	–	–	–	–	–	–
	7	2	2	2	2	2	2	2
Future income tax asset	2	2	2	1	1	1	–	–
	1,458	1,563	1,561	1,670	1,771	1,876	1,985	2,100
Liabilities								
Accounts payable	10	8	5	5	5	5	5	5
Income tax payable	4	10	10	12	14	15	16	18
Provision for insurance losses	600	650	600	600	600	600	600	600
	614	668	615	617	619	620	621	623
Retained earnings	844	895	946	1,053	1,152	1,256	1,364	1,477
	1,458	1,563	1,561	1,670	1,771	1,876	1,985	2,100

Figure 2: *Pro Forma* Consolidated Statement of Income and Retained Earnings
For the year ending March 31
($ millions)

	2006 Actual	2007 Plan	2007 Forecast	Plan 2008	2009	2010	2011	2012
Revenue								
Premiums	65	67	75	67	70	72	74	76
Interest on cash and investments	43	53	56	63	67	72	76	81
	108	120	131	130	137	144	150	157
Expenses								
Operating expenses								
Salaries and other personnel costs	12	11	11	12	12	13	13	14
Professional fees	3	3	3	3	3	3	3	3
Premises	2	3	3	2	2	2	2	2
Public awareness	3	3	3	3	3	3	3	3
General expenses	3	3	3	3	3	3	3	3
Data processing costs	1	1	1	1	2	2	2	2
Total operating expenses	24	24	24	24	25	26	26	27
Less cost recovery (FCAC, OSFI)[a]	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Net operating expenses[b]	23	23	23	23	24	25	25	26
Increase in provision for insurance losses	50	–						
Adjustment to allowance for losses on claims and provision for guarantees	(8)	–	–	–	–	–	–	–
Recovery of amounts previously written off	(15)	(16)	(4)	(13)	–	–	–	–
	50	7	19	10	24	25	25	26
Net income before income tax benefit/expense	58	113	112	120	113	119	125	131
Reduction in future income tax asset	2	–	–	1	–	–	1	–
Income tax expense	4	10	10	12	14	15	16	18
	6	10	10	13	14	15	17	18
Net income	52	103	102	107	99	104	108	113
Retained earnings, beginning of year	792	792	844	946	1,053	1,152	1,256	1,364
Retained earnings, end of year	844	895	946	1,053	1,152	1,256	1,364	1,477

[a] CDIC provides call centre services to the Financial Consumer Agency of Canada (FCAC) and the Office of the Superintendent of Financial Institutions (OSFI) on a cost recovery basis. These costs are included in the relevant expense categories.

[b] Expense estimates are based on the planning assumptions for the 2007/2008 fiscal year. Expense estimates for fiscal years 2008/2009 through to 2011/2012 are subject to further development and will be dependent on specific plans developed for those years.

Figure 3: *Pro Forma* Consolidated Statement of Cash Flows
for the year ending March 31
($ millions)

	2006 Actual	2007 Plan	2007 Forecast	Plan 2008	2009	2010	2011	2012
Operating Activities								
Premium revenue received	65	67	75	67	70	72	74	76
Claims recovered	16	4	5	–	–	–	–	–
Interest revenue received	43	53	56	63	67	72	76	81
Recovery of amounts previously written off	15	16	4	13	–	–	–	–
Other amounts received	7	–	–	–	–	–	–	–
Payment of guarantees	(1)	–	–	–	–	–	–	–
Payment of income taxes	–	(6)	(7)	(10)	(12)	(14)	(15)	(16)
Payments to suppliers and employees	(22)	(22)	(23)	(22)	(23)	(24)	(24)	(25)
Capital assets purchased	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Cash flows from operating activities	122	111	109	110	101	105	110	115
Cash and investments								
Increase/(decrease) during the year	122	111	109	110	101	105	110	115
Balance, beginning of year	1,325	1,447	1,447	1,556	1,666	1,767	1,872	1,982
Balance, end of year	1,447	1,558	1,556	1,666	1,767	1,872	1,982	2,097

Commentary: CDIC's Five-Year Financial Plan

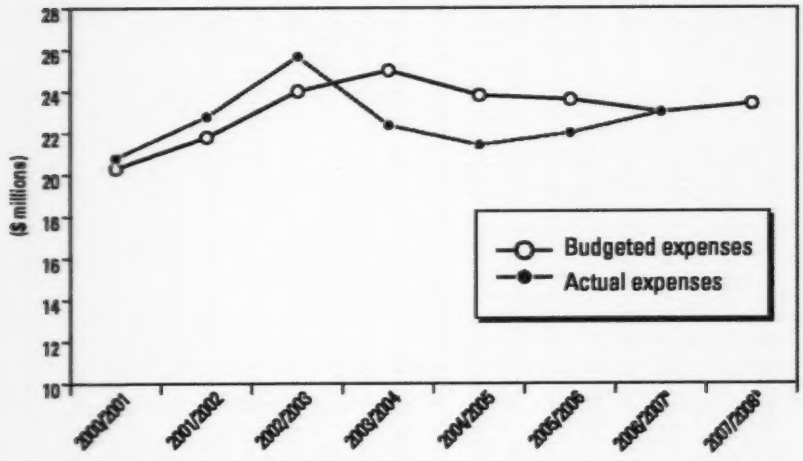
The **premium revenue** for the fiscal years 2007/2008 to 2011/2012 is based on premium rates remaining unchanged from those assessed in 2006/2007 for all four premium categories.

Over the five-year planning period, **premium revenue** is forecast to total $359 million and **interest income on investments** is forecast to total $359 million. **Net operating expenses** are budgeted at $123 million. The Corporation is subject to federal income tax and is required to pay income taxes on its taxable income.[3]

[3] Under the provisions of the *Income Tax Act*, the Corporation's premium revenue is not taxable. As such, the Corporation's source of taxable income is its interest revenue on cash and investments. From this amount, allowable expenditures are deducted in order to arrive at its net income for tax purposes.

Figure 4 shows the history of CDIC's actual and budgeted operating expenditures from 2000/2001 to 2007/2008.

Figure 4: Historical Overview of Actual and Budgeted Operating Expenses



[a] 2006/2007 Forecast [b] 2007/2008 Budget

The adequacy of **provisions for losses** is assessed on an annual basis and, if necessary, adjustments are recorded. For the purposes of this Plan, the provision for insurance losses is forecast to remain at $600 million throughout the planning period.

Cash and investments are planned to be $1.666 billion as at March 31, 2008, and are expected to increase to $2.097 billion by the end of the planning period at March 31, 2012.

The financial plan reflects the fact that the net realizable value of all outstanding **net claims receivable**, which was $5 million at March 31, 2006, will be recovered during the planning period.

Retained earnings of $1.053 billion are planned as at March 31, 2008, and are expected to grow to $1.477 billion as at March 31, 2012 (consistent with the planning assumptions set out in Part II of this Plan).

For financial planning purposes, no failures of member institutions are projected during the planning period. In the event of a failure, CDIC's provisions, cash and investments, and retained earnings may be adversely affected.

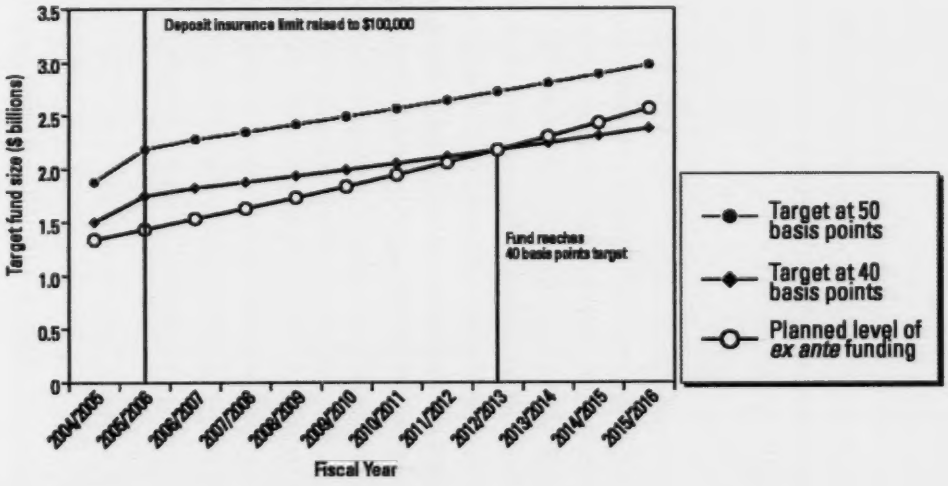
EX ANTE FUNDING

CDIC recognizes the importance of appropriate financial resources for the proper functioning of a sound deposit insurance system. There must be a high degree of confidence that the resources available to CDIC will be sufficient to address the risks to which it is exposed. In its 2003/2004 fiscal year, CDIC's Board of Directors determined it would be appropriate to maintain an amount of advance or *ex ante* funding available for possible deposit insurance losses. It was further decided that the amount of *ex ante* funding would be represented by the aggregate of both the retained earnings and the provision for insurance losses as reported in CDIC's financial statements. The target range for the amount of *ex ante* funding is currently between 40 and 50 basis points of insured deposits—which translates into a range of approximately $1.8 billion to $2.3 billion based on levels of insured deposits as at April 30, 2006. The target range and anticipated timing to attain the bottom of the range are reviewed annually by CDIC's Board of Directors.

The level of insured deposits as at April 2006 represents an increase of 4.2% over insured deposits at April 30, 2005, and is assumed that it is followed thereafter by a 3% annual increase in insured deposits. It is projected that, as at March 31, 2007, the level of *ex ante* funding will be 34 basis points of insured deposits. Given these assumptions, under current forecasts it is anticipated that the bottom level of the range (40 basis points) will be attained in CDIC's 2012/2013 fiscal year, as illustrated in Figure 5.

Figure 5: *Ex Ante* Funding Progression

Fund Growth towards Target



The actual growth in insured deposits will impact the estimated time it takes for the level of *ex ante* funding to reach the bottom of the target range. While the increase in the deposit insurance limit from $60,000 to $100,000 resulted in an initial 16.2% increase in insured deposits, it is expected that over the long term the growth in insured deposits will settle back to an annual rate of approximately 3%. CDIC will continue to monitor the impact of the change in the deposit insurance limit from $60,000 to $100,000 on the rate of growth in insured deposits, and reflect any changes required to its assumptions with respect to the growth of its level of *ex ante* funding in future Corporate Plans.

OPERATING BUDGET—2007/2008

A summary of the operating budget is set out in Figure 6.

Figure 6: Operating Budget
($ millions)

	2006 Actual	2007 Plan	2007 Forecast	2008 Plan
Revenue				
Premiums	64.6	66.5	74.8	67.5
Interest and other income	43.5	52.9	55.9	62.7
	108.1	119.4	130.7	130.2
Operating Expenses				
Salaries and other personnel costs	12.2	11.1	10.9	11.5
Inspection, legal and other fees	2.5	2.7	2.7	2.7
Premises	2.4	2.5	2.6	2.4
Public awareness	2.5	2.8	2.6	2.7
General expenses	2.8	3.2	3.3	3.4
Data processing	1.1	1.4	1.4	1.4
Total operating expenses	23.5	23.7	23.5	24.1
Less cost recovery (FCAC, OSFI)	(0.6)	(0.7)	(0.8)	(0.7)
Net operating expenses	22.9	23.0	22.7	23.4
Recovery of amounts previously written off	(14.6)	(16.1)	(4.0)	(13.0)
	8.3	6.9	18.7	10.4
Adjustment to provisions	41.6	–	–	–
	49.9	6.9	18.7	10.4
Net income before income tax benefit/expense	58.2	112.5	112.0	119.8
Reduction in future income tax asset	2.5	–	–	0.5
Income tax expense	3.8	10.0	10.0	12.2
	6.3	10.0	10.0	12.7
Net income	51.9	102.5	102.0	107.1

CAPITAL BUDGET—2007/2008

The budget for capital expenditures in 2006/2007 is $700,000. The capital budget is summarized in Figure 7.

Figure 7: Capital Budget ($ thousands)

	2006 Actual	2007 Plan	2007 Forecast	2008 Plan
Furniture and equipment	57	100	77	100
Computer hardware	468	600	600	600
Total	**525**	**700**	**677**	**700**

The capital budget is largely used to maintain computer hardware based on the "refresh cycle" described in the Information Systems (IS) Strategic Plan, consistent with benchmark industry practices.

ACCOUNTING ISSUES

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles. The financial statements do not reflect the assets, liabilities or operations of failed member institutions in which CDIC has intervened.

Two new accounting standards adopted by the Canadian Institute of Chartered Accountants (CICA), while not affecting the current year's financial reporting, could lead to changes in future years.

- ***CICA Handbook, Section 3855*** (criteria for the recognition, derecognition, measurement and classification of financial instruments). CDIC will be required to categorize its financial assets as "held for trading," "held to maturity," "available for sale," or as "loans and receivables." The related accounting treatment will be dependent on the classification. Financial assets categorized as held for trading or available for sale are to be measured at fair value, while financial assets held to maturity, and loans and receivables will be measured at amortized cost.

- ***CICA Handbook, Section 1530*** (requiring certain gains and losses that would otherwise be recorded as part of net income to be presented in a separate financial statement until such time as it is considered appropriate for them to be recognized in net income—for example, unrealized gains and losses on financial assets). CDIC may be required to present a new financial statement entitled "Comprehensive Income" as part of its financial statements. Unrealized gains and losses on those assets categorized as available for sale will be temporarily recorded in "Other Comprehensive Income" until they are realized.

These standards are to be adopted simultaneously and will come into effect for the Corporation's 2007/2008 fiscal year. Management is currently assessing the impact of these new standards on its financial reporting. As management's assessment is ongoing, this Plan does not reflect any adjustments that may result from implementing these new recommendations.

BORROWING PLAN

At December 31, 2006, CDIC had no debt outstanding and does not anticipate any new borrowing activity over the planning period.

Under its financial risk management policies, the Corporation's financing is to be matched within certain parameters to cash and maturing short-term investments, anticipated premium revenues and recoveries of claims. CDIC's Risk Management Unit (RMU) is responsible for identifying, measuring, monitoring and reporting financial risk exposure to the Chief Financial Officer (CFO) in a manner consistent with Board-approved financial risk management policies. The RMU meets throughout the year. The CFO also receives advice and information as to the funding, investing and risk management requirements from CDIC's Asset/Liability Management Committee.

The *CDIC Act* allows for the Minister of Finance (at CDIC's request) to make loans to CDIC from the Consolidated Revenue Fund (CRF) on such terms and conditions that the Minister may establish. The *CDIC Act* also provides that CDIC can borrow by means other than the CRF. Total principal indebtedness from all sources is not to exceed $6 billion, or such greater amount as may be authorized by Parliament under an appropriation act. The Act also allows the Minister to charge CDIC a credit enhancement fee in respect of any borrowings.

CDIC has the ability to borrow funds, if required, by issuing commercial paper and/or medium-term notes in domestic and other markets. In the event funding is required, the borrowing program would be adjusted to satisfy any borrowing activity over the planning period (although borrowings are not anticipated during the planning period). An information memorandum to support this program has been developed. Any debt issuance within the borrowing program requires specific approval of the Board of Directors and authorization by the Minister.

Historically, CDIC has adopted a strategy that its investment portfolio is to be used as a first call on liquidity in the event of an intervention. This strategy implies that the investment portfolio is positioned toward low-risk and highly liquid instruments.

CDIC has in place credit facilities with its banker for up to $10 million for cash management purposes. The credit facility is specifically exempt from the credit enhancement fee that applies to other borrowings. CDIC does not anticipate drawing on its credit facility over the planning period.

HUMAN RESOURCE REQUIREMENTS

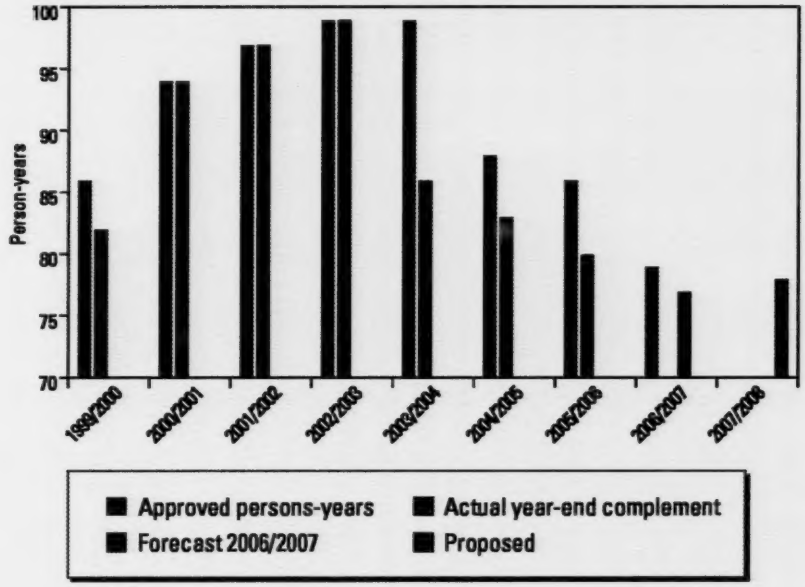
The Corporation reduced its overall person-year count during 2005/2006 to reflect changes to its operations as a result of the 2005 Budget legislation. These reductions stemmed largely from the repeal of CDIC's Standards and the removal of entry responsibilities for federal institutions. The associated savings from these reductions will continue to be realized during the planning period.

There will be no significant change to the overall person-year count during the planning period. In keeping with its Human Resources Strategy and Plan, CDIC will maintain strong core competencies in support of its business strategies and plans through ongoing succession planning, skills training and professional development.

CDIC operates with a core capacity of expert employees and augments these skills as necessary to deal with specific challenges by mobilizing a larger work force either directly through outsourcing by CDIC, or indirectly through liquidators, receivers, or through workout or wind-down arrangements. These arrangements may include additional employees, contract personnel, consultants, insolvency and legal professionals, and other service providers.

Figure 8 presents CDIC's human resource levels from 1999/2000 to present, as well as those planned for 2007/2008.

Figure 8: Human Resource Levels—1999/2000 to 2007/2008



3

Progress against the
majority of our key
performance indicators is
proceeding as planned.

CDIC'S PERFORMANCE AGAINST PAST PLANS

HIGHLIGHTS OF PAST PERFORMANCE —2006/2007 TO 2010/2011

The Corporate Plan 2006/2007 to 2010/2011 identified four corporate strategies for CDIC, which were developed in support of the Corporation's business objects and were based on its assessment of its operational environment and risks at the time. These strategies are: Strengthening Core Expertise and Readiness, Promoting Depositor Awareness, Solidifying Stakeholder Relationships, and Pursuing Sound Governance.

CDIC's performance to date against these corporate strategies is summarized in the current Corporate Scorecard (see next four pages), updated to December 31, 2006.

Past Corporate Scorecard Results—2006/2007

The Corporate Scorecard shows that progress against the majority of key performance indicators is proceeding as planned, and the Corporation expects to achieve the majority of its key performance targets for 2006/2007. Only 4 of the total of 19 indicators are not proceeding exactly as planned:

Integration of ROADMAP (the Corporation's system to pay depositors of failed member institutions) with the intervention website has been delayed while secure access options are being fully assessed.

- Work has been deferred on the upgrading of the enterprise business intelligence application supporting CDIC's risk analysis and monitoring of member institutions—pending resolution of compatibility differences with existing applications.

- Work pertaining to CEO/CFO attestation/certification is proceeding at a measured pace pending more definitive guidance from Treasury Board Secretariat of Canada—at this time it is uncertain when such guidance will be issued.

- Some initiatives specified in the IS Strategic Plan will not be completed in accordance with the timelines set out in that Plan—for example, the first two bullets above.

PAST CORPORATE SCORECARD RESULTS—2006/2007

CDIC Mandate: Provide deposit insurance and contribute to the stability of the financial system for the benefit of depositors and while minimizing the Corporation's exposure to loss.

Corporate Strategy	Current/Ongoing Activities (in support of Corporate Strategies)
Strengthening Core Expertise and Readiness—*being alert to events affecting the Corporation and its members and having the ability to anticipate and react to events and manage risk. This will be achieved through solidifying CDIC's expertise in its core operations of risk monitoring, intervention and payout.*	• Risk assessment of members and membership • Ongoing research of issues and trends affecting member institutions and CDIC activities • Close monitoring of higher risk members • Contingency Planning for intervention Ongoing simulations of payout process/related training and mini-simulations of pre-failure intervention activities Research of alternative failure resolutions Documentation E-training Maintaining key supplier relationships • Maintaining funding plans • Administering the differential premiums system
Promoting Depositor Awareness—*increasing depositor awareness by explaining the benefits and limitations of deposit insurance through a targeted, long-term approach to public awareness. CDIC can make use of the need to inform depositors about the increase in the deposit insurance coverage limit to $100,000, to inform them more generally about the federal deposit insurance program.*	• Public awareness activities continuing focus on new $100,000 deposit insurance coverage level: Advertising in selected newspapers, magazines and publications, as well as public relations 1-800 lines CDIC website Updating and disseminating CDIC information through other stakeholders Annual public awareness surveys • Distribution of information to associations of deposit brokers, financial advisors, consumer groups and community leaders to inform their membership about deposit insurance to assist them in responding to inquiries on deposit insurance • Target audience advertising in newspapers, other print media, web advertising (seniors, Canadian adults without completed high school education, ethnocultural communities) • Presentations for target groups at trade shows and other appropriate venues

SCORECARD LEGEND — Slippage in terms of time to completion, and/or budget variances. ● Cancelled or deferred.

Planned Key Initiatives (in support of Corporate Strategies)	Key Performance Indicators (Measure/Target)
• Ongoing enhancements to intervention tools: ROADMAP II (payout application); updating special examination methodology and preparatory examination processes and documentation	• ROADMAP II data load enhancement and integration with intervention website completed by Y/E March 2007 • Documentation of special examination processes validated by Y/E March 2007
• Upgrade e-filing systems	• Upgraded premium e-filing systems in place for 2007 premium year
• Upgrade enterprise business intelligence application supporting CDIC's risk analysis and monitoring of its member institutions	• Upgraded application in place and tested by Y/E March 2007 ●
• Prepare and document CDIC readiness to intervene by peer group of member institutions	• Readiness by peer group documented by Y/E March 2008
• Implement years two and three of the current three-year communications and public awareness strategy and plan	• Years two and three of current strategy successfully implemented by Y/E March 2007 and Y/E March 2008, respectively
• Develop financial awareness tools	• Tools available on CDIC website and through other channels commencing in 2006 and fully in place by Y/E March 2007

PAST CORPORATE SCORECARD RESULTS—2006/2007

CDIC Mandate: Provide deposit insurance and contribute to the stability of the financial system for the benefit of depositors and while minimizing the Corporation's exposure to loss.

Corporate Strategy	Current/Ongoing Activities (in support of Corporate Strategies)
Solidifying Stakeholder Relationships—*actively working with all stakeholders to better achieve the Corporation's mandate. CDIC defines its stakeholders as member institutions, the depositing public, employees, parliamentarians, regulators, supervisors, and other deposit insurers in Canada and around the world.*	• Work with CDIC members to identify opportunities to reduce regulatory burden and maximize the benefits of deposit insurance for member institutions • Maintain existing relationships (OSFI, Bank of Canada, FCAC, Autorité des marchés financiers, Communications Canada) • Improve communications tools with OSFI and other strategic partners and increase efficiency of information flow • Comply with the *CDIC/OSFI Strategic Alliance Agreement* • Continue to work closely with OSFI on risk assessment issues (problem members, sharing of information) • Administration of the *Deposit Insurance Information By-law* • Participation in joint external committees (Senior Advisory Committee (SAC), sub-SAC, Financial Institutions Supervisory Committee (FISC), sub-FISC) • International participation (e.g., International Association of Deposit Insurers and various other international organizations) • Continue call centre facility-sharing arrangements with OSFI and FCAC • Continue participation in the Canadian Financial Services Insolvency Protection Forum • Continue to examine outsourcing and co-sourcing opportunities and to strengthen partnership relationships with key external resources • Annual reporting of CDIC plans and progress to parliamentarians and all interested stakeholders
Pursuing Sound Governance—*in order for CDIC to continue to earn public trust, its operations must be supported by comprehensive policies, such that the Corporation can demonstrate that it is well managed, has taken account of its significant risks, can fulfill its mandate in an effective and efficient manner, and is demonstrating leadership in governance.*	• Board of Directors and Standing Committees meetings • Strategic Management • Enterprise Risk Management (ERM) • Corporate Project Management • Internal Audit • Regular review of CDIC by-laws • Examining opportunities for increasing CDIC's efficiency and effectiveness • Ensuring compliance with best practices for boards and committees • Continue to enhance corporate governance practices through benchmarking and self-assessments • Enhance information technology (IT) management practices by identifying IT best practice benchmarks against which IT activities can be assessed • Implementation of enterprise information portal system throughout CDIC • Transition from existing records management application to an upgraded system that can manage all formats of information and fully integrate into the enterprise information portal • Business Continuity Management

SCORECARD LEGEND — Planned progress on schedule and within budget. — Slippage in terms of time to completion, and/or budget variances. ● Cancelled or deferred.

Planned Key Initiatives 2006/2007 to 2010/2011 (in support of Corporate Strategies)	Key Performance Indicators (Measure/Target)
• Participate in final stages of Financial Information Committee (FIC) data rationalization project	• CDIC requirements re: data collection and sharing reflected in final FIC filing requirements by Y/E March 2008
• Hold annual public meetings for all stakeholders	• Begin holding CDIC annual public meetings in fiscal 2006/2007
• Revisions to the *Deposit Insurance Information By-law*	• Revisions to the *Deposit Insurance Information By-law* completed by March 2007
• Work with Department of Finance and other Ottawa agencies to implement necessary changes to the *CDIC Act*	• Amendments to the *CDIC Act* arising from the 2006 review reflected in CDIC plans and operations
• Develop a CDIC Corporate Communications Policy	• Corporate Communications Policy approved by CDIC's Board of Directors by Y/E March 2007
• Implement Treasury Board Secretariat (TBS) governance measures for Crown corporations as applicable, including assessing the implications of Treasury Board "certification" initiatives—Annual CEO/CFO attestations/certifications	• Timely implementation of 31 TBS governance measures for Crown corporations—as applicable to CDIC • Annual CEO/CFO attestation/certification in place by Y/E March 2008 *
• Implement revised Human Resources (HR) Strategy and Plan	• Initiatives specified in the HR Strategy and Plan successfully implemented in accordance with timelines set out in that Plan
• Annual ERM representation supported by a corporate-wide self-assessment and risk management program	• Annual ERM representation in place by Y/E March 2007
• Implementation of the initiatives included in the Information Systems (IS) Business Plan supporting the IS Strategic Plan	• Initiatives specified in the IS Strategic Plan successfully implemented in accordance with timelines set out in that Plan
• Implement a corporate-wide process to identify and assess CDIC's compliance with applicable statutes, regulations, guidelines and other requirements to which CDIC is subject	• Corporate-wide compliance process in place by Y/E March 2008
• Business Continuity Management activities—conduct testing and implement necessary enhancements to CDIC's systems at the recovery site	• Initial testing of business continuity plans and appropriate enhancements in place by Y/E March 2007

*Work pertaining to CEO/CFO attestation/certification is proceeding at a measured pace pending more definitive guidance from TBS.

PAST FINANCIAL PERFORMANCE —2005/2006 AND 2006/2007 HIGHLIGHTS

The Consolidated Balance Sheet and Consolidated Statement of Income and Retained Earnings providing the progression of the 2005/2006 and 2006/2007 Plans are presented as Figures 9 and 10. These financial statements include the Corporation's financial results for 2005/2006 against its approved Plan for the same year, as well as the 2006/2007 forecast against Plan.

Effective April 1, 2005, the Corporation adopted AcG-15 issued by the Canadian Institute of Chartered Accountants, which required that Adelaide Capital Corporation (a variable interest entity) be consolidated with CDIC. The 2006 actual and 2008–2012 Plan figures presented in this Plan reflect the Corporation's change in accounting policy. For comparability, the 2007 Plan figures have also been restated to reflect this change.

Figure 9: Consolidated Balance Sheet Progression of 2005/2006 and 2006/2007 Plans
as at March 31
($ millions)

	2006 Plan	2006 Actual	2007 Plan	2007 Forecast
Assets				
Cash and investments	1,446	1,447	1,558	1,556
Accounts receivable	1	2	1	1
	1,447	1,449	1,559	1,557
Capital assets	2	2	2	2
Claims receivable	–	6	–	–
Allowance for loss on claims receivable	–	(1)	–	–
	2	7	2	2
Future income tax asset	1	2	2	2
	1,450	1,458	1,563	1,561
Liabilities				
Accounts payable and accrued liabilities	10	10	8	5
Income tax payable	5	4	10	10
Provision for guarantees	–	–	–	–
Provision for insurance losses	650	600	650	600
	665	614	668	615
Retained earnings	785	844	895	946
	1,450	1,458	1,563	1,561

* The 2005/2006 Plan was amended in October 2005 to reflect the impact of the 2005 Federal Budget legislation.

Figure 10: Consolidated Statement of Income and Retained Earnings Progression of 2005/2006 and 2006/2007 Plans
for the Year Ending March 31
($ millions)

	2006 Plan	2006 Actual	2007 Plan	2007 Forecast
Revenue				
Premiums	64	65	67	75
Interest on cash and investments	41	43	53	56
Other revenue	1	–	–	–
	106	108	120	131
Expenses				
Increase in provision for insurance losses	100	50	–	–
Adjustment to allowance for losses on claims and provision for guarantees	–	(8)	–	–
Recovery of amounts previously written off	(20)	(15)	(16)	(4)
Net operating expenses	24	23	23	23
	104	50	7	19
Net income before income tax benefit/expense	2	58	113	112
Reduction in future income tax asset	4	2	–	–
Income tax expense	5	4	10	10
	9	6	10	10
Net income/(loss)	(7)	52	103	102
Retained earnings, beginning of year	792	792	792	844
Retained earnings, end of year	785	844	895	946

* The 2005/2006 Plan was amended in October 2005 to reflect the impact of the 2005 Federal Budget legislation.

Commentary: 2005/2006 Actual to Amended Plan

- **Total revenue** was $2 million higher than planned, resulting from higher-than-planned premium revenue and higher-than-planned interest revenue on cash and investments.

- **Recoveries of amounts previously written off** were $5 million lower than planned, due to delays in anticipated recoveries from certain estates.

- **Operating expenses** were $1 million lower than planned, due to lower-than-planned spending in areas such as general expenses, public awareness and data processing.

- **Net income** was $52 million or $59 million higher than planned. The primary cause for this positive variance is the lower-than-planned increase to the Corporation's provision for insurance losses. CDIC anticipated a $100 million increase to its provision for insurance losses due to the increase in the amount of insured deposits resulting primarily from the increase in the deposit insurance coverage limit. The actual impact of this increase was somewhat offset by a decline in the default statistics used in calculating the provision estimate. As a result, the impact on the provision for insurance losses was an increase of $50 million and not $100 million as had been reflected in the 2005/2006 amended Plan.

- **Net claims receivable** were $5 million higher than planned. This variance is due to timing differences between the planned and actual receipts from the estates of failed member institutions.

- **Cash and investments** were $1.447 billion as at March 31, 2006, $1 million higher than planned.

- The **provision for insurance losses** increased to $600 million, $50 million lower than estimated in the amended Plan.

- **Retained earnings** were $59 million higher than planned due primarily to the $59 million positive variance in net income.

Commentary: 2006/2007 Forecast to Plan

- **Premium revenue** will exceed the amended Plan by $8 million due primarily to the movement of members between premium categories.
- **Interest on cash and investments** is forecast to exceed Plan by $3 million. This is due to a combination of higher interest rates overall and higher-than-expected premiums.
- **Operating expenses** are forecast to equal the budget for the 2006/2007 fiscal year.
- **Recoveries of amounts previously written off** are forecast to be $12 million lower than planned due primarily to a delay in anticipated receipts from the estate of a failed member institution.
- **Net income** is forecast to be $102 million, or $1 million lower than planned, due to the lower-than-planned recoveries of amounts previously written off, substantially offset by the positive variances in premiums and interest revenue.
- **Cash and investments** are forecast to end the year at $1.556 billion, $2 million lower than Plan. This is due to the lower-than-planned recoveries of amounts previously written off, partially offset by higher-than-planned premiums and interest revenue.
- The **provision for insurance losses** is expected to remain at $600 million, $50 million lower than planned.
- **Retained earnings** are forecast to be $51 million higher than Plan due primarily to the lower-than-planned adjustment to the provision for insurance losses.